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## **FINET GROUP LIMITED**

### **財華社集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8317)**

## **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE INTERESTS IN A PROPERTY HOLDING COMPANY**

**Financial Adviser to the Company**

**MESSIS**  **大有融資**

### **THE DISPOSAL**

The Board is pleased to announce that on 13 August 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and Ms. Lo (the chairman, the executive Director and the Controlling Shareholder of the Company) entered into the Provisional Agreement, pursuant to which the Vendor conditionally agreed to sell and Ms. Lo conditionally agreed to purchase and take up an assignment of the Sale Share and the Sale Debt for the consideration of approximately HK\$58.0 million (subject to adjustment) which shall be payable by Ms. Lo to the Vendor in cash.

## **GEM LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitute a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Ms. Lo, being the purchaser in respect of the Disposal, is the chairman, the executive Director and the Controlling Shareholder of the Company. Therefore, Ms. Lo is a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is therefore subject the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **GENERAL**

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among others, the Provisional Agreement and the Disposal. Ms. Lo and her associates will abstain from voting at the SGM on the relevant resolutions to approve the Provisional Agreement and the Disposal.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Provisional Agreement and the Disposal and on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Provisional Agreement and the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the SGM is expected to be despatched to the Shareholders on or before 6 September 2021.

**As Completion is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Provisional Agreement and the Disposal may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

## **THE DISPOSAL**

The Board is pleased to announce that on 13 August 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and Ms. Lo entered into the Provisional Agreement, pursuant to which the Vendor conditionally agreed to sell and Ms. Lo conditionally agreed to purchase and take up an assignment of the Sale Share and the Sale Debt for the consideration of approximately HK\$58.0 million (subject to adjustment) which shall be payable by Ms. Lo to the Vendor in cash.

## **THE PROVISIONAL AGREEMENT**

The major terms of the Provisional Agreement are as follows:

### **Date**

13 August 2021 (after trading hours)

### **Parties**

- (i) Source Mega Properties Limited (源利置業有限公司), an indirect wholly-owned subsidiary of the Company, as the Vendor;
- (ii) Ms. Lo, as the purchaser; and
- (iii) the Company, as the Vendor Guarantor.

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. Ms. Lo is a connected person of the Company by virtue of her being the chairman, the executive Director and the Controlling Shareholder of the Company. The Disposal Company is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding and the principal asset of Disposal Company would be the Property. The Disposal Company is directly owned as to 100% by the Vendor.

### **Assets to be disposed**

Pursuant to the Provisional Agreement, the Vendor conditionally agreed to sell and Ms. Lo conditionally agreed to purchase and take up an assignment of:

- (i) the Sale Share, representing 100% of the entire issued share capital of the Disposal Company as at the date of this announcement; and
- (ii) the Sale Debt, being the right to all debts owing by the Disposal Company to the Vendor and its associates (if any) as at Completion Date. According to the audited financial statements of the Disposal Company, as at 31 March 2021, the Disposal Company was indebted to the Vendor and its associates, being the Vendor Guarantor and its subsidiaries, of approximately HK\$6.2 million.

## **Consideration**

The Consideration for the Sale Share and the Sale Debt is approximately HK\$58.0 million, which shall be payable in the following manner:

- (i) a deposit in the amount of approximately HK\$2.9 million (the “**Deposit**”) has been paid on the date of the Provisional Agreement;
- (ii) the balance of approximately HK\$55.1 million will be paid upon the Completion (subject to the consideration adjustment as disclosed in the below paragraph); and
- (iii) Ms. Lo shall have the right to offset the debts owing by the Group to her (the “**Shareholder’s Loans**”) against any portion of the Consideration to be paid. As at 31 March 2021, the Shareholder’s Loans owed by the Group to Ms. Lo amounted to approximately HK\$33.5 million.

The Consideration was determined after arm’s length negotiation between the parties with reference to:

- (i) the net asset value of the Disposal Company, with reference to the audited financial statements of the Disposal Company, in the amount of approximately HK\$32.3 million as at 31 March 2021; and
- (ii) the valuation of the Property, being approximately HK\$50.4 million, as assessed on 31 July 2021 by an independent valuer appointed by the Company.

## **Guarantee**

The Vendor Guarantor, as primary obligor and not merely as surety, hereby unconditionally and irrevocably guarantees to Ms. Lo, and shall, on the Completion Date, unconditionally and irrevocably guarantees to Ms. Lo and the Disposal Company, the due observance and performance by the Vendor of all the agreements, obligations, commitments and undertakings contained in the Provisional Agreement on the part of the Vendor to be observed and performed and that the warranties given or provided by the Vendor to Ms. Lo and/or the Disposal Company under the Provisional Agreement are true, accurate and correct and the Vendor Guarantor undertakes and agrees to indemnify Ms. Lo and the Disposal Company and keep Ms. Lo and the Disposal Company fully indemnified against all losses, costs, expenses and damages whatsoever which may be sustained by Ms. Lo and/or the Disposal Company by reason of or in connection with any failure of the Vendor to perform any of the guaranteed obligations or breach of any of the warranties.

## **Consideration adjustment**

The Vendor undertakes to deliver to Ms. Lo or her solicitors at least five (5) days prior to the Completion Date the proforma accounts comprising a proforma profit and loss account of the Disposal Company for the period from the beginning of the current

financial year to the Completion Date and a proforma balance sheet of the Disposal Company as at the Completion Date. If the Net Tangible Asset/Liability Value as shown in the proforma accounts are more or less than zero, the balance of the payment to be paid for settling the Consideration upon Completion shall be adjusted upwards or downwards (as the case may be) accordingly in the manner as follows:

- (i) it shall be added to the balance all current and non-current tangible assets of the Disposal Company as shown in the proforma accounts including rentals receivable (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Property (up to but exclusive of the Completion Date); and
- (ii) it shall be deducted from the balance all liabilities of the Disposal Company as shown in the proforma accounts (other than the Sale Debt and deferred tax).

The Vendor undertakes to deliver to Ms. Lo or her solicitors within 30 days from the Completion Date the financial statements audited by certified public accountants (practising) for the period from the beginning of the current financial year to the Completion Date. If the Net Tangible Asset/Liability Values as shown in the audited financial statements is more or less than the Net Tangible Asset/Liability Values as shown in the proforma accounts, Ms. Lo or the Vendor (as the case may be) shall pay the difference to the other party within five (5) days from the date of receipt of the audited financial statements.

Based on the total Net Tangible Liability Values of the Disposal Company, with reference to its audited financial statements, as at 31 March 2021 of approximately HK\$11.6 million, the Net Consideration would be approximately HK\$46.4 million.

### **Conditions precedent**

Completion of the Disposal is subject to and conditional upon, the fulfilment or waiver of (as the case maybe), the following conditions precedent:

- (i) Ms. Lo having completed her due diligence reviews on the business, financial, legal and other aspects of the Disposal Company and satisfied with the results thereof;
- (ii) the Vendor having procured the Disposal Company to give and prove a good title to the Property in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (iii) the Provisional Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the SGM; and
- (iv) the Company having completed the vetting and approval procedures required under the GEM Listing Rules in relation to the Disposal.

Save for condition precedent (iii) and (iv) above, Ms. Lo may at her absolute discretion waive the other conditions precedent under the Provisional Agreement.

Pursuant to the terms of the Provisional Agreement, the Long Stop Date would be 31 December 2021. The Vendor and Ms. Lo shall negotiate in good faith and use all their respective reasonable endeavours to enter into a formal agreement for the Disposal on or before the Long Stop Date (or such later date as the Vendor and the Ms. Lo may agree in writing). In the event that the Vendor and Ms. Lo shall fail to reach agreement on the terms of the formal agreement on or before the Long Stop Date, the Provisional Agreement shall remain valid and of full force and effect and the parties hereto shall continue to fulfil their respective obligations.

In the event that any of the above conditions precedent is not fulfilled or waived (as the case maybe) on or before the Long Stop Date, Ms. Lo shall be entitled to cancel the transaction under the Provisional Agreement and the Deposit shall be refunded (without interest) by the Vendor to Ms. Lo.

### **Completion**

Completion shall take place within eight (8) Business Days following the date on which the last of the conditions precedent to the Provisional Agreement being fulfilled or waived (as the case may be) or such other date as the parties to the Provisional Agreement may agree in writing.

### **INFORMATION ON THE DISPOSAL COMPANY AND THE PROPERTY**

The Disposal Company is a company incorporated in Hong Kong with limited liability on 24 September 2004 and is principally engaged in investment holding, which is wholly-owned by the Vendor and is indirectly wholly-owned by the Company. The principal asset of the Disposal Company would be the Property with a total saleable area of approximately 1,755 square foot located in Unit C, 11/F, Bank of East Asia Harbour View Center, Hong Kong. As at the date of this announcement, the Property was left vacant.

Set out below is a summary of the financial information of the Disposal Company for the two years ended 31 March 2020 and 2021 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Loss before taxation	2,320	6,808
Loss after taxation	2,325	6,907

As at 31 March 2021, the audited net assets of the Disposal Company was approximately HK\$32.3 million.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in (i) the development, production and provision of financial information, advertising and investor relationship service and technology solutions to corporate and retail clients in Hong Kong and the Peoples Republic of China; (ii) provision of brokerage, underwriting and asset management; (iii) money lending business; and (iv) property investments.

The Group originally purchased the Disposal Company so that the Group could reduce the cash outflow related to office rental by utilising the Property as office for the Group's securities business. However, the Group's securities business has been experiencing a continuing downturn in recent years which was mainly due to the keen competition within the market. Having considered that the Property is not essential for the Group's future operation, the Disposal will not have a material adverse effect on the Group's operation and therefore, the Group intended to realise the Property in order to relieve the financial burden for the administrative and running costs arising in the Property.

Upon the Completion, the Disposal Company together with its assets and liabilities, mainly the Property and the secured bank borrowings associated to the Property, will be transferred to Ms. Lo and Ms. Lo shall have the right to offset the Shareholder's Loans against any portion of the Consideration to be paid. As such, the Disposal would enable the Group to (i) enhance the financial position of the Group by reducing the Group's indebtedness; and (ii) reduce the financial reliance on Ms. Lo, being the Controlling Shareholder, by offsetting the Shareholder's Loans. In addition, the net proceeds from the Disposal would also enable the Group to replenish its working capital and continue to focus on the expansion and development of its financial information, advertising and investor relationship service business.

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser, and Ms. Lo who had abstained from voting on the relevant board resolution given Ms. Lo is considered to have material interest in the Disposal) consider that although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Provisional Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT AND USE OF PROCEEDS**

Upon Completion, the Company will cease to own any interest in the Disposal Company. The Disposal Company will cease to be a subsidiary of the Company and its assets, liabilities and financial results will no longer be consolidated into the financial statements of the Group.

The Group expects to record a net gain attributable to the Disposal of approximately HK\$7.8 million, calculated taking into account the Consideration, the direct transaction costs attributable to the Disposal, the net assets value of the Disposal Company as at 31 March 2021 and the Sale Debt. The actual financial figures and financial effect resulted from the Disposal will be determined based on the financial position of the Disposal Company at Completion and subject to the review and final audit by the auditors of the Company upon Completion. The Company intends to utilise the net proceeds from the Disposal to replenish the Group's working capital and for future business development.

## **GEM LISTING RULES IMPLICATION**

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitute a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Ms. Lo, being the purchaser in respect of the Disposal, is the chairman, the executive Director and the Controlling Shareholder of the Company. Therefore, Ms. Lo is a connected person of the Company pursuant to Chapter 20 of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is therefore subject the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.



## GENERAL

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among others, the Provisional Agreement and the Disposal. Ms. Lo and her associates will abstain from voting at the SGM on the relevant resolutions to approve the Provisional Agreement and the Disposal.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Provisional Agreement and the Disposal and on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Provisional Agreement and the Disposal; (ii) other information as required to be disclosed under the GEM Listing Rules; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the SGM is expected to be despatched to the Shareholders on or before 6 September 2021.

**As Completion is subject to and conditional upon fulfilment or waiver (as the case maybe) of the conditions precedent set out in the Provisional Agreement and the Disposal may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Company”	Finet Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liabilities and the issued Shares of which are listed on GEM
“Completion”	completion of the Disposal

“Completion Date”	the date of completion, which shall be within eight (8) Business Days following the date on which the conditions as set out in paragraph headed “Conditions precedent” above are fulfilled or waived (as the case may be) or such other date to be agreed between the Vendor and Ms. Lo in writing
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration payable by Ms. Lo for the Sale Share and the Sale Debt in accordance with the terms of the Provisional Agreement as stated in paragraph headed “Consideration” in this announcement
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sales Debt by the Vendor to Ms. Lo pursuant to the Provisional Agreement
“Disposal Company”	Maxon Management Limited (萬誠管理有限公司), a company incorporated in Hong Kong with limited liabilities on 24 September 2004 and an indirect wholly-owned subsidiary of the Company
“Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the financial adviser to the Company in respect of the Provisional Agreement and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Provisional Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Provisional Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required under the GEM Listing Rules to abstain from voting at the SGM for the resolutions approving the Provisional Agreement and the transactions contemplated thereunder
“Long Stop Date”	31 December 2021 or such date as the Vendor and Ms. Lo may agree in writing pursuant to the Provisional Agreement
“Ms. Lo”	Ms. Lo Yuk Yee, the ultimate Controlling Shareholder (as defined in the GEM Listing Rules), the chairman and the executive Director of the Company
“Net Consideration”	the amount of Consideration adjusted by the corresponding consideration adjustment of the Disposal Company as stated in paragraph headed “Consideration adjustment” in this announcement
“Net Tangible Asset/ Liabilities Value”	the aggregate of all tangible assets of the Disposal Company which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt and deferred tax) and provisions of the Disposal Company as at the Completion Date
“Property”	the property at Unit C, 11/F, Bank of East Asia Harbour View Center, Hong Kong, held by the Disposal Company which being disposed under the Disposal and further details of which are set forth in the paragraph headed “Information on the Disposal Company and the Property” in this announcement

“Provisional Agreement”	the provisional agreement for sale and purchase dated 13 August 2021 entered into between the Vendor and Ms. Lo in relation to the Disposal
“Sale Debt”	all debts owing or incurred by the Disposal Company to the Vendor and its associates (if any) on or at any time as at the Completion Date which as at 31 March 2021, amounted to approximately HK\$6.2 million according to the audited financial statements of the Disposal Company
“Sale Share”	1 share of HK\$1 each in the issued share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company
“SGM”	the special general meeting of the Company to be convened to approve, among other things, the Provisional Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) for the time being of the shares of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Vendor”	Source Mega Properties Limited (源利置業有限公司), a company incorporated in Hong Kong with limited liability on 11 January 2017 and an indirect wholly-owned subsidiary of the Company
“Vendor Guarantor”	the Company
“sq.ft.”	square foot
“%”	per cent

By Order of the Board  
**Finet Group Limited**  
**Lo Yuk Yee**  
*Chairman and Executive Director*

Hong Kong, 13 August 2021

*As at the date of this announcement, the executive Directors are Ms. Lo Yuk Yee, and Mr. Lin Dongming; and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its posting and on the website of the Company at [www.finet.hk](http://www.finet.hk).*